

DEPARTMENT OF THE ARMY
Corps of Engineers, Northwestern Division
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CENWD-MR-RM
Regulation
No. 11-1-1

15 February 2000

Army Programs
MANAGEMENT CONTROL PROCESS

History. This issue is a revision to NWDR 11-1-1.

Summary. This regulation outlines the Northwestern Division management control process. District Commanders may supplement this regulation or issue a corresponding District regulation.

1. **PURPOSE.** This regulation prescribes policies, requirements, and responsibilities for the Northwestern Division management control process.
2. **APPLICABILITY.** This regulation applies to all elements of Northwestern Division.
3. **REFERENCES.**
 - a. **Required Publications.**
 - (1) AR 11-2, Management Control, cited in paragraph 6.a(6).
 - (2) AR 623-105, Officer Evaluation Reporting System, cited in 6.a(6).
 - b. **Related Publications.**
 - (1) Public Law 97-255, the Federal Manager's Financial Integrity Act.
 - (2) OMB Circular No. A-123, Management Accountability & Control.
 - (3) OMB Circular No. A-127, Financial Management Systems.
 - (4) General Accounting Office (GAO) Standards for Internal Control in the Federal Government.

*Supersedes NWDR 11-1-1, 15 April 1998.

4. POLICY. The management control process emphasizes managers' inherent responsibilities for the design and utilization of effective management controls to prevent waste, fraud, abuse and mismanagement. It provides guidance, direction and management control evaluation methods to assist managers in fulfilling their management control responsibilities. It is the policy of Northwestern Division to implement a management control process which provides reasonable assurance that the following objectives are accomplished:

- a. Prevention of waste, fraud, abuse and mismanagement through the placement and application of effective management controls which provide reasonable assurance that resources are safeguarded from waste, loss, unauthorized use, or misappropriation.
- b. Periodic evaluations of key management controls as required by the Northwestern Division-wide Management Control Plan.
- c. Efficient and effective performance of missions and functions in accordance with applicable laws, regulations, and policies.
- d. Obligations and costs in compliance with applicable laws.
- e. Proper recording and accounting for revenues and expenditures.

5. TERMS. Definitions for terms used in the management control process can be found in the Glossary, Appendix A.

6. RESPONSIBILITIES.

a. Assessable Unit Managers (Division and District Commanders, and Region Deputy Division Commanders) will:

- (1) Ensure operation of an effective management control process.
- (2) Appoint a management control administrator from within the Resource Management organization.
- (3) Submit an annual assurance statement on management control to the next command echelon.
- (4) Enforce accountability for managers' compliance with the General Accounting Office (GAO) Standards, periodic management control evaluations and prompt resolution of audit findings and management control deficiencies, with priority emphasis on correction of material weaknesses.

(5) Certify the results of required management control evaluations on DA Form 11-2-R, Management Control Evaluation Certification Statement.

(6) Include an explicit statement regarding management control responsibilities in annual performance agreement as required by AR 11-2, 2-1.f and AR 623-105, 3-5.c(5)(b). See Appendix B.

b. Managers, Supervisors and Senior Program Managers. All managers have personal responsibility for management controls and will fulfill this responsibility by:

(1) Understanding and applying the GAO standards in daily operations (standards provided at Appendix C).

(2) Using management controls as tools to conduct operations in a professional and businesslike manner, to enhance a problem prevention attitude, and to address those areas of potentially high risk for fraud, waste, abuse or mismanagement.

(3) Conducting specific management control evaluations and fulfilling the ongoing management control evaluation responsibilities outlined in the Northwestern Division-wide Management Control Plan.

(4) Identifying management control deficiencies and material weaknesses (see Appendix D) and taking prompt corrective actions. Because the fundamental intent of management controls is the prevention and self-detection of weaknesses, managers will not be penalized for identifying problems.

(5) Including an explicit statement regarding management control responsibilities in annual Total Army Performance Evaluation System (TAPES) performance objectives/individual performance standards. See Appendix B.

(6) Promptly resolving audit findings.

c. Directors, Division and Office Chiefs. In addition to 6.b. above, these managers are also responsible for:

(1) Providing an assurance/certification statement that supports their Commander's Annual Assurance Statement.

(2) Ensuring that specific management control evaluations are conducted by subordinate elements as required by the Northwestern Division-wide Management Control Plan,

and likewise ensuring that the ongoing management control evaluation responsibilities outlined in the plan are fulfilled by subordinate managers.

(3) Taking action to resolve audit and inspection findings by correcting problems, effecting improvements, or demonstrating that the findings are invalid or do not warrant management action.

(4) Ensuring implementation of the requirement in 6.b(5) above regarding inclusion of a management control objective in TAPES annual performance objectives/individual performance standards of all subordinate managers. See Appendix B.

d. District Internal Review Offices.

(1) These offices will include management controls as part of their reviews, and advise the District management control administrator of potential material weaknesses discovered during reviews.

(2) Validate correction of material weaknesses prior to closure.

e. Management Control Administrators. Resource Management organizations are responsible for designating a management control administrator who will:

(1) Prepare and disseminate management control process guidance, information and training.

(2) Execute the Northwestern Division-wide Management Control Plan, identify accountable managers responsible for conducting management control evaluations, ensure that evaluation methods are made available to accountable managers for conducting evaluations and monitor the evaluation process.

(3) Assist managers in documenting material weaknesses, forward material weaknesses to higher authority as appropriate, and track the completion of action plans correcting the material weaknesses.

(4) Prepare the Commanders' Annual Assurance Statement and other reports.

7. PROCEDURES.


a. Uncorrected District material weaknesses will be reviewed during NWD Command Inspections and/or Staff Inspections.

b. Districts will prepare a Quarterly Material Weakness Status Report (using the format at Appendix E) of all uncorrected District material weaknesses which were reported to the Division. The report will be submitted by District Commanders to Northwestern Division, Resource Management Directorate, ATTN: CENWD-MR-RM ten working days after the end of each quarter. Division HQ functional proponents will do the same for uncorrected Division HQ material weaknesses.

c. Correction of District or Division HQ material weaknesses will be reported to CENWD-MR-RM within two weeks of Internal Review Office validation of correction, which is required, before a material weakness can be closed. The correction will be reported on a Material Weakness Report (format at Appendix D) and will be certified by the District Commander or Region Deputy Division Commander in a transmittal memorandum.

d. A District material weakness reported to the Division HQ will be thoroughly evaluated by the appropriate staff element(s) to determine whether or not the material weakness will be reported to HQUSACE. The Division HQ will provide all necessary and appropriate assistance to the Districts for correction of material weaknesses.

FOR THE COMMANDER:



CLIFTON P. JACKSON, JR
Executive Assistant

5 Appendices
APP A - Glossary
APP B - Performance Standards
APP C - GAO Standards
APP D - Material Weakness
APP E - Quarterly Material Weakness
Status Report Format

DISTRIBUTION:

CENWD Intranet - <http://w3.nwd.usace.army.mil/info/regs-pub/pubs.htm>
CENWD-MR - Directors and Office Chiefs
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CENWP-RM, CENWP-IR
CENWS-RM, CENWS-IR
CENWW-RM, CENWW-IR

APPENDIX A

Glossary

Abuse. Intentionally wrongful or improper use of Government resources, such as misuse of rank, position, or authority.

Accountable Managers. Managers within a command who are responsible for completing management control evaluations.

Assessable Unit. A Division, Region Office or District (each is an assessable unit).

Assessable Unit Manager. Division and District Commanders, and Region Deputy Commanders.

Annual Assurance Statement. A report from a District Commander to the Region Deputy Commander, from each Region Deputy Commander to the Division Commander, and from the Division Commander to the Chief of Engineers on the status of management control in the Command. These annual reports are supported by statements of assurance/annual certification statements from directors, and division and office chiefs.

Deficiency. A weakness that is minor, not material, and is readily correctable.

Fraud. Intentionally misleading or deceitful conduct that deprives the Government of its resources or rights.

Management Control. The term management control is synonymous with internal control, which is defined by the General Accounting Office (GAO) as: "An integral component of an organization's management that provides reasonable assurance that the following objectives are being achieved: effectiveness and efficiency of operations, reliability of financial reporting, and compliance with applicable laws and regulations." Management or internal control is a continuous built-in component of operations, which is effected by people and provides reasonable assurance, not absolute assurance, of meeting agency objectives.

Management Controls. The terms management controls, internal controls and controls are synonymous. They are the mechanisms, means, or actions employed by managers to ensure that what they want done gets done on a continuing basis. This includes the organizational structure itself that designates specific responsibilities and accountability, formally defined procedures, checks and balances, recurring reports and reviews, physical monitoring, and a broad array of measures used by managers to provide reasonable assurance (confidence) that subordinates are performing as intended.

Management Control Evaluation. A periodic, detailed assessment of key management controls to determine whether they are operating as intended. This assessment must be based on the actual testing of key management controls and must be supported by documentation (i.e., name and signature of the accountable manager who conducted the evaluation and the date, the name and signature of any intervening manager(s) between the accountable manager and the Commander/assessable unit manager, the methods used to test the controls, any deficiencies detected and the corrective action taken/or planned).

Management Control Evaluation Checklist. One method used to assist accountable managers in evaluating the key management controls of a function.

Management Control Plan. A five-year Division-wide plan (to be executed in both the Division HQ and Districts) which stipulates specific management control evaluations that must be completed each year and outlines managers' ongoing management control evaluation responsibilities.

Reasonable Assurance. An acceptable degree of confidence in the general adequacy of management control to deter or detect material failures.

Resources. All items necessary for mission accomplishment including, but not limited to, funds, personnel, equipment, supplies, material, time, technology, and information.

Risk. The probable or potential adverse effects from inadequate management controls that may result in the loss of Government resources through fraud, error, mismanagement, or misappropriation.

Senior Program Managers. Senior employees responsible for the management and execution of various programs. They may not be branch or section chiefs as a consequence of recent streamlining efforts. Likewise, they may not be supervisors, or may have only limited supervisory responsibilities.

Waste. To consume, spend, or employ uselessly or without adequate return.

APPENDIX B

Performance Standards

1. Every manager has a “performance agreement” that inherently requires the exercise of sound management controls. Accordingly, the GAO standards apply to every manager without additional definition, and managers can be held accountable for noncompliance with the applicable standards. Even so, explicit statements of responsibility are required in either the performance agreements or Total Army Performance Evaluation System (TAPES) performance standards and objectives of individuals in certain positions. These are:

- a. General officers, colonels, lieutenant colonels, and majors.
- b. Directors, and office, division, branch, and section chiefs.
- c. All supervisors grade 9 and above.
- d. Senior program managers without primary supervisory responsibilities.
- e. Management control administrators.

2. The following management control element is designated for Division and District Commanders and Deputy Commanders:

Responsible for establishing and maintaining an effective management control process consistent with AR 11-2 and local circumstances, and for ensuring timely and effective resolution of audit findings and recommendations and implementation of agreed-upon corrective actions.

3. The following management control objective is required to be included in the annual TAPES performance objectives/individual performance standards of all others noted in sub-paragraphs 1.b. through 1.d. above:

Apply the 5 GAO standards and management controls to institute the division-wide management control policy for my function(s).

4. The following management control objectives are required to be included in the annual TAPES performance objective/individual performance standards of all Northwestern Division management control administrators:

- a. Develop and administer management control process for command.

- b. Identify accountable managers, advise them of Management Control Plan evaluation requirements, and make management control evaluation methods available to them.
- c. Assist managers in documenting material weaknesses.
- d. Prepare annual assurance statement and other program reports.

APPENDIX C

GAO Standards

1. Control Environment. Management and employees should establish and maintain an environment throughout the organization that sets a positive and supportive attitude toward internal control and conscientious management.
2. Risk Assessment. Internal control should provide for an assessment of the risks the agency faces from both external and internal sources.
3. Control Activities. Internal control activities help ensure that management's directives are carried out. The control activities should be effective and efficient in accomplishing the agency's control objectives.

Examples of Control Activities:

- Top level reviews of actual performance
- Reviews by management at the functional or activity level
- Management of human capital
- Controls over information processing
- Physical control over vulnerable assets
- Establishment and review of performance measures and indicators
- Segregation of duties
- Proper execution of transactions and events
- Access restrictions to and accountability for resources and records
- Appropriate documentation of transactions and internal control

4. Information and Communications. Information should be recorded and communicated to management and others within the entity who need it and in a form and within a time frame that enables them to carry out their internal control and other responsibilities.
5. Monitoring. Internal control monitoring should assess the quality of performance over time and ensure that the findings of audits and other reviews are promptly resolved.

APPENDIX D

Material Weakness

1. The absence of, or noncompliance with, any management control for accomplishing statutory, regulatory or policy requirements constitutes a weakness that must be corrected. The initial determination that a weakness is or is not material is based on the manager's judgment about the relative significance of the problem. If the problem requires the attention or awareness of the next higher level of management, or a higher command level has responsibility or the necessary authority for correction of the weakness, it should be considered material and therefore reported to the next command level. The decision regarding materiality is redetermined at each progressive command echelon based on each responsible manager's professional judgment.

2. As guideline only, the following factors can be considered in making a determination of whether the absence of, or noncompliance with, a management control is a reportable material weakness.

a. Actual or potential loss of resources and the sensitivity of the resources involved.

b. Magnitude of funds, property, or other resources. By itself, dollar significance is not necessarily a deciding factor.

c. Actual or potential frequency of loss.

d. Current or probable media or congressional interest (adverse publicity).

e. Unreliable information causing unsound management decisions.

f. Diminished credibility or reputation of management.

g. Impaired fulfillment of essential mission.

h. Violation of statutory or regulatory requirements.

i. Information security risk.

j. Public deprivation of needed Government services.

k. Audit finding.

3. Upon determining that a weakness is material, the format at D-2 is used to document the problem and create a plan of action to correct it, as well as report it to the next command level, as appropriate. The local management control administrator will assist in this effort.

MATERIAL WEAKNESS REPORT FORMAT

MW ID #
NWX (FY)-X

Command (Name of Region or District)
FY XX Uncorrected Material Weakness

Title and Description of Material Weakness: *Italicized short title; there is no limit on the size of the description.*

Functional Category: Use HQDA Category only (not USACE or local category)

Pace of Corrective Action:

Year Identified: FY XX

Original Targeted Correction Date: FY XX

Targeted Correction Date in Last Year's Report: FY XX

Current Target Date: FY XX

Reason for Change in Date(s): Give explanation.

Component/Appropriation/Account Number: Leave blank.

Validation Process: A short paragraph.

Results Indicators: Describe what successful results will look like.

Source(s) Identifying Weakness: Indicate the method or action that identified the weakness.

Major Milestones in Corrective Action:

A. Completed Milestones:

Date	Milestone: (List them all)
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B. Planned Milestones (Enter next Fiscal Year)

Date	Milestone:
	(List all milestones for the next fiscal Year)

C. Planned Milestones (Beyond Fiscal Year XX)

Date	Milestone:
	(List all milestones for the Fiscal Year following next Fiscal Year)

Point of Contact: Name (in bold type)
 U.S. Army Corps of Engineers
 Full Address (not just office symbol)
 Phone (including area code)

APPENDIX E

Quarterly Material Weakness Status Report Format

Reporting Command or Region Office Organization

Material Weakness ID No.

Date

Title and Description of Weakness:

Source(s) that Identified Weakness:

Plan of Corrective Actions

Milestone <u>Action</u>	Original <u>Completion Date</u>	<u>Status</u>	Revised <u>Completion Date</u>
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Point of Contact: Name:

Full Address (not just office symbol):

Phone (including Area Code):